Fundamentals

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Meaning:

Planning can be defined as "thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done".

Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives. so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

Author's definition for Planning

According to **Koontz O'Donnell** , "Planning is an intellectually demanding process; it requires conscious determination of course of action and basing of directions on purpose, knowledge and considered estimates."

According to **Mary Cushing Niles**, "Planning is the conscious selection and developing the best course of action to accomplish an objective. It is the basis from which the future management action spring".

According to **George R Terry,** "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities, believed necessary to achieve the desired results."

Features/Nature/Characteristic of Planning:

1. Planning contributes to Objectives:

Planning starts with the determination of objectives. We cannot think of planning in absence of objective.

2. Planning is Primary function of management:

Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function.

3. Pervasive:

Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job.

5. Planning Facilitates Decision Making:
Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future.
6. Planning establishes standard for controlling:
Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned.
7. Focuses attention on objectives of the company:
Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only.

Planning Process

Setting up of the objectives

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Developing premises

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Listing the various alternatives for achieving the objectives

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Evaluation of different alternatives

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Selecting an alternative

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Implement the plan

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Follow-up

Planning Process:

1. Setting up of the objectives:

In planning function manager begins with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only. The managers set up very clearly the objectives of the company keeping in mind the goals of the company and the physical and financial resources of the company.

2. Developing premises:

Premises refer to making assumptions regarding future. Premises are the base on which plans are made. It is a kind of forecast made keeping in view existing plans and any past information about various policies. There should be total agreement on all the assumptions. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information.

3. Listing the various alternatives for achieving the objectives:

After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives, as there can be many ways to achieve the objective and managers must know all the ways to reach the objectives.

4. Evaluation of different alternatives:

After making the list of various alternatives along with the assumptions supporting them, the manager starts evaluating each and every alternative and notes down the positive and negative aspects of every alternative. After this the manager starts eliminating the alternatives with more of negative aspect and the one with the maximum positive aspect and with most feasible assumption is selected as best alternative. Alternatives are evaluated in the light of their feasibility.

5. Selecting an alternative:

The best alternative is selected but as such there is no mathematical formula to select the best alternative. Sometimes instead of selecting one alternative, a combination of different alternatives can also be selected. The most ideal plan is most feasible, profitable and with least negative consequences.

6. Implement the plan:

The managers prepare or draft the main and supportive plans on paper but there is no use of these plans unless and until these are put in action. For implementing the plans or putting the plans into action, the managers start communicating the plans to all the employees very clearly because the employees actually have to carry on the activities according to specification of plans.

7. Follow-up:

Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The managers monitor the plan carefully while it is implemented. The monitoring of plan is very important because it helps to verify whether the conditions and predictions assumed in plan are holding true in present situation or not.

Importance of planning

(1) Planning Provides Direction:
Under the process of planning the objectives of the organisation are defined in simple and clear words. The obvious outcome of this is that all the employees get a direction and all their efforts are focused towards a particular end.

(2) Planning Reduces Risks of Uncertainty:
Planning is always done for future and future is uncertain. With the help of planning possible changes in future are anticipated and various activities are planned in the best possible way.

(3) Planning Reduces Overlapping and Wasteful Activities:
Under planning, future activities are planned in order to achieve objectives. Consequently, the problems of when, where, what and why are almost decided. This puts an end to disorder and suspicion.

(4) Planning Promotes Innovative Ideas:
It is clear that planning selects the best alternative out of the many available. All these alternatives do not come to the manager on their own, but they have to be discovered. While making such an effort of discovery, many new ideas emerge and they are studied intensively in order to determine the best out of them.

(5) Planning Facilitates Decision Making:

Decision making means the process of taking decisions. Under it, a variety of alternatives are discovered and the best alternative is chosen. The planning sets the target for decision making.

(6) Planning Establishes Standards for Controlling:

By determining the objectives of the organisation through planning all the people working in the organisation and all the departments are informed about 'when', 'what' and 'how' to do things.

Limitations of Planning:

1. Planning leads to rigidity:
Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation.

2. Planning may not work in dynamic environment:
Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.
The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment.

3. It reduces creativity:
With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment.

4. Planning involves huge Cost:
Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process.

5. It is a time consuming process:

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success:

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

7. Lack of accuracy:

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action.

External Limitations of Planning:

Sometimes planning fails due to following limitations on which managers have no control.

(i) Natural calamity:

Natural calamities such as flood, earthquake, famine etc. may result in failure of plan.

(ii) Change in competitors' policies:

Sometimes plan may fail due to better policies, product and strategy of competitor which was not expected by manager.

(iii) Change in taste/fashion and trend in the market:

Sometimes plans may fail when the taste/fashion or trend in market goes against the expectation of planners.

(iv) Change in technologies:

If technologies are not known and how to use them, there will be delay in production and unawareness may lead to wastage of resources as well as time.

Essential Elements of Planning

- **Forecasting** : It is the starting point of planning on which the business misses its course of action forecasting can be described as the projection of present trains into the future.
- **Objective** : Objective are there in on which activities are aimed objective determine the goal or end results of the projected actions of an enterprise goals are the foundation up on which the whole structure of is built.
- **Policies** : Policy is a written statement or some oral understanding in general term which govern the action of subordinate in similar situations.
- **Procedures** : Procedures indicate as to how a particular activities to be performed. Procedure is a fixed path through the defined area of policy.

- **Programmes** : For a complete and ordinary course of action programmes are laid down within the framework of the plans. Programmes weld together different plans for implementing them properly.
- **Rules** : Rules are prescribed guides to action day of unknown discretion to employees. They specify what should be done and what should not be done.
- **Budgets** : Budgets and numerical statement prepared for a particular period budgets are generally prepared in terms of money but other units may also be used that set standard from which actuals can be compared.
- **Strategies** : Strategies are modified plants or policies to meet a particular situation particularly competitive situation in the market.